STATE OF MICHIGAN
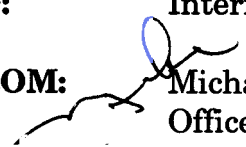**OFFICE OF THE STATE BUDGET**
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT L. EMERSON
DIRECTOR

February 8, 2007

MEMORANDUM

TO: Internal Control Officers

FROM: Michael J. Moody, Director
Office of Financial Management

Kenneth D. Theis, Chief Deputy Director
Department of Information Technology

SUBJECT· Evaluation of Information Technology Internal Controls

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During the process of preparing the last biennial report on the evaluation of internal controls, departments expressed a need for better guidance and tools related to the evaluation of information technology (IT) internal controls. In order to address that need, the Department of Information Technology (MDIT) and the Office of Financial Management (OFM) have collaborated on the development of improved guidance and tools. As a result of the collaboration, we are providing the following guidance regarding MDIT's role in evaluating application and general controls. We have also attached a revised IT controls evaluation tool for your review and comment.

Application Controls

Application controls help to ensure that authorized data is processed completely, accurately, and reliably. Examples of application controls include input, processing, and output controls; service level agreements; data management; storage and back-up; and end user support.

Each department is responsible for establishing, maintaining, and monitoring internal controls over specific applications. MDIT will assist in this endeavor by partnering with the departments to understand the tools that exist for evaluating IT controls, assist with the identification of applications that support critical activities or programs, assist with conducting the evaluation to help ensure that agencies verify the existence of key controls, and provide guidance for monitoring and reporting on the status of the control system in place.

Certain departments are the business owners of applications that benefit multiple departments and/or have cross-departmental impact. Following is a list of these applications and their respective business owners. You are not expected to conduct evaluations of the general or application controls for these systems.

Application Name/Description	Business Owner
Data Collection and Distribution System (DCDS)	OFM
Human Resource Management Network (HRMN) – human resources and benefits	Department of Civil Service
HRMN – payroll	OFM
Information Technology Asset Management (ITAM)	MDIT
MAIN FACS (R*STARS, ADPICS)	OFM
Messaging Services (Groupwise, Outlook)	MDIT
Michigan Information Database (MIDB)	OFM
Remedy	MDIT

General Controls

General controls relate to activities that provide for the proper operation of application systems. Examples of general controls include strategic planning; business continuity; contingency planning; system development methodology; and procedures for documenting, reviewing, testing, and approving system changes. MDIT is responsible for assessing the State's general IT controls. While departments may be requested to provide input in this area, DIT is in the best position to coordinate the evaluation of the State's general IT controls.

Alternative Tool for Evaluating Application Controls

Attached for your review and comment is a draft of an alternative tool for evaluating application controls. The tool is simpler to use than existing application control evaluation tools because its focus is limited to the nine most common application control weaknesses. When the tool is finalized, it is expected that, at a minimum, agencies will use it to evaluate all applications that support activities or programs identified as high risk during the risk assessment process. Please keep in mind that agencies should use this alternative tool only if they lack the resources necessary to employ the complete COBIT-based tool set currently available on OFM's web site (www.michigan.gov/ofm).

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Please contact Doug Ringler, Director, Support Services Division, Office of Financial Management, at RinglerD1@michigan.gov or (517) 373-4010, if you have questions regarding this memo or would like to share feedback regarding the evaluation tool.

Attachment

cc: Chief Financial Officers
       Internal Auditors